

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 358,309,391	\$ 369,082,504	Custodial credit
U.S. agencies	23,400,626	23,400,626	Custodial credit, interest rate, credit, concentration of credit
Illinois funds	84,148,302	84,148,302	Credit, interest rate
Illinois Metropolitan Investment fund	5,839,665	5,839,697	Credit, interest rate
Repurchase agreements	5,205,124	5,205,124	Custodial credit, credit, interest rate
Total Cash and Investments	<u>\$ 476,903,108</u>	<u>\$ 487,676,253</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 393,474,959		
Restricted cash and investments	50,129,880		
Per statement of net assets – Fiduciary			
Funds	<u>33,298,269</u>		
Total Cash and Investments	<u>\$ 476,903,108</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. In December 2008, FDIC coverage increased to \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts. The county also has many collateral agreements with local and area banks.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county.

As of November 30, 2008, \$512,295 of the county's total bank balance of \$358,309,391 was not insured or collateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of November 30, 2008, there were no county investments exposed to custodial credit risk.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of November 30, 2008, the county's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service	Fitch Ratings
Illinois Funds	AAAm		
Illinois Metropolitan Investment Fund		MMM/MRI	
Federal Home Loan Bank	AAA	Aaa	
Federal National Mortgage Association	AAA	Aaa	
Federal Home Loan Mortgage Corporation	AAA	Aaa	
Repurchase Agreements	AA+/A1+	Aa1/P-1	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At November 30, 2008, FHLB and FNMA securities made up 11.13% and 6.80%, respectively, of the county's investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of November 30, 2008, the county's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than One Year	1 – 5	More than 5
U.S. agencies	\$ 23,400,626	\$ 18,375,306	\$ 5,025,320	\$ -
Illinois funds	84,148,302	84,148,302	-	-
Illinois Metropolitan Investment fund	5,839,665	5,839,665	-	-
Repurchase agreements	5,205,124	83,833	5,121,291	-
Totals	<u>\$ 118,593,717</u>	<u>\$ 108,447,106</u>	<u>\$ 10,146,611</u>	<u>\$ -</u>

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All receivables are expected to be collected within one year.

The business-type activities reported an allowance for uncollectible utility billings of \$50,000.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable	\$ -	\$ 167,062,372	\$ 167,062,372
Grant advances received	-	650,000	650,000
Interest receivable	1,540,636	-	1,540,636
Miscellaneous	<u>319,938</u>	<u>972,037</u>	<u>1,291,975</u>
Total Deferred Revenue for Governmental Funds	<u>\$ 1,860,574</u>	168,684,409	<u>\$ 170,544,983</u>
Add: Forest Preserve unearned swap revenue		<u>2,133,129</u>	
Unearned Revenue of Governmental Activities on Statement of Net Assets		<u>\$ 170,817,538</u>	

C. RESTRICTED ASSETS

Certain proceeds of the county Public Works' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. All revenues of the entire combined system are reserved to meet the requirements of the bond ordinances. Following is a list of restricted cash and investments:

Restricted Cash and Investments	
Bond interest	\$ 1,122,400
Bond fund	2,975,000
Bond reserves	5,078,573
Depreciation, extension, and improvement	23,709,545
Construction	135,992
Crossover refunding escrow account	<u>17,108,370</u>
Total Restricted Cash and Investments	<u>\$ 50,129,880</u>